2013 DRAFTING REQUEST

Bill

Received:	**11/6/2012**	Received By:	**mshovers**
Wanted:	**As time permits**	Same as LRB:	
For:	**Administration-Budget 6-1923**	By/Representing:	**Quinn**
May Contact:		Drafter:	**mshovers**
Subject:	**Tax, Individual - dedct/sbtrct**	Addl. Drafters:	
		Extra Copies:	

Submit via email: **YES**
Requester's email:
Carbon copy (CC) to:

Pre Topic:

DOA:......Quinn, BB0219 -

Topic:

Index for inflation the amounts in the tuition tax subtract modification

Instructions:

See attached

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
/P1	mshovers 12/27/2012	jdyer 11/15/2012	jfrantze 11/15/2012	_______ _______	srose 11/15/2012		State Tax
/P2	mshovers 1/22/2013	jdyer 1/2/2013	rschluet 1/2/2013	_______ _______	srose 1/2/2013		State Tax
/P3		jdyer 1/22/2013	rschluet 1/22/2013	_______ _______	sbasford 1/22/2013		State Tax

FE Sent For:

<END>

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/P1	mshovers 12/27/2012	jdyer 11/15/2012	11/15/2012	_______ _______	srose 11/15/2012		State Tax
/P2		3/22 jld jdyer 1/2/2013	1/2/2013	_______ _______	srose 1/2/2013		State Tax

/P3 MES 1/22/13   1/22/13

FE Sent For:

<END>

2013 DRAFTING REQUEST

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		Extra Copies:	PG, MDK

Submit via email: **YES**
Requester's email:
Carbon copy (CC) to:

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DOA:......Quinn, BB0219 -

Topic:

Index for inflation the amounts in the tuition tax subtract modification

Instructions:

See attached

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
/P1	mshovers 11/13/2012	/P2 1/3 jld jdyer 11/15/2012	11/15/2012	_______ _______	srose 11/15/2012		State Tax

/P2 MES 12/27/12

1-2-13

FE Sent For:

jmurRS 1/2/13

<END>

2013 DRAFTING REQUEST

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Wanted:	**As time permits**	Same as LRB:	
For:	**Administration-Budget 6-1923**	By/Representing:	**Quinn**
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Requester's email:
Carbon copy (CC) to:

Pre Topic:

DOA:......Quinn, BB0219 -

Topic:

Index for inflation the amounts in the tuition tax subtract modification

Instructions:

See attached

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
/P1	mshovers /P1	11/14 jld		ph 11/16			

/P1 MES 11/13/12

FE Sent For:

<END>

Hanaman, Cathlene

From:	brian.quinn@wisconsin.gov
Sent:	Thursday, November 01, 2012 4:51 PM
To:	Hanaman, Cathlene
Cc:	Frederick, Caitlin - DOA; Quinn, Brian D - DOA; Thornton, Scott - DOA
Subject:	[Possible SPAM] Statutory Language Drafting Request - BB0219
Importance:	Low

Biennial Budget: 2013-15

DOA Tracking Code: BB0219

Topic: Tuition Tax Subtraction Income Eligibility Indexing

SBO Team: TLGED

SBO Analyst: Quinn, Brian D - DOA
Phone: (608) 266-1923
E-mail: brian.quinn@wisconsin.gov

Agency Acronym: DOR

Agency Number: 566

Priority: Medium

Intent:

Annually index the income parameters for the tuition tax subtraction for changes in the Consumer Price Index. For these purposes, use the same indexing procedures used for the income thresholds for the marginal tax brackets.

Attachments: False

Please send completed drafts to statlanguage@wisapps.wi.gov

State of Wisconsin
2013 – 2014 LEGISLATURE

LRB–0502/P1
MES
jld
PMR

DOA:......Quinn, BB0219 – Index for inflation the amounts in the tuition tax subtract modification

FOR 2013–2015 BUDGET — NOT READY FOR INTRODUCTION

do not gen

1 AN ACT ...; **relating to:** the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, there is a college tuition and expenses program, commonly referred to as "EdVest I," under which a contributor may purchase "tuition units" that can be used to pay qualified educational costs on behalf of a beneficiary. The purchase of the units is limited to parents, grandparents, great–grandparent, aunts, uncles, legal guardians, trusts created on behalf of a beneficiary, or individuals purchasing units for their own use. Contributions made to an account set up under the program, up to a limit of $3,000 each year for each beneficiary, may be deducted from a contributor's income in the calculation of his or her income taxes if the beneficiary of the account is one of the following: the claimant; the claimant's child; the claimant's grandchild; the claimant's great–grandchild; or the claimant's niece or nephew.

Also, under current law, there exists a college savings program, commonly referred to as "EdVest II," under which anyone may open an account for a prospective student, regardless of the contributor's relationship to the beneficiary. Individuals may open accounts for themselves, and a prospective student may be the beneficiary of more than one college savings account. Contributions made to an account set up under this program, up to a limit of $3,000 each year for each beneficiary, may be deducted from a contributor's income in the calculation of his or her income taxes if the beneficiary of the account is one of the following: the claimant; the claimant's child; the claimant's grandchild; the claimant's great–grandchild; or the claimant's niece or nephew.

for an EdVest I or EdVest II account

Under this bill, the dollar amounts under current law are indexed for inflation, beginning with taxable year 2013.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.05 (6) (b) 32. d. of the statutes is created to read:

71.05 **(6)** (b) 32. d. For taxable years beginning after December 31, 2012, the dollar amounts in subd. 32. par a. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the year before the previous year, as determined by the federal department of labor, except that the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year. Each amount that is revised under this subd. 32.d. subdivision paragraph shall be rounded to the nearest multiple of $10 if the revised amount is not a multiple of $10 or, if the revised amount is a multiple of $5, such an amount shall be increased to the next higher multiple of $10. The department of revenue shall annually adjust the changes in dollar amounts required under this subdivision paragraph and incorporate the changes into the income tax forms and instructions.

SECTION 2. 71.05 (6) (b) 33. d. of the statutes is created to read:

71.05 **(6)** (b) 33. d. For taxable years beginning after December 31, 2012, the dollar amounts in subd. par 33. a. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the year before the previous year, as determined by the federal department of labor, except that the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year. Each amount that is revised under this subdivision paragraph 33.d. shall be rounded to the nearest multiple of $10 if the revised amount is not a multiple of $10 or, if the revised amount is a multiple of $5, such an amount shall be increased to the next higher multiple of $10. The department of revenue shall annually adjust the changes in dollar amounts required under this subdivision paragraph 33.d. and incorporate the changes into the income tax forms and instructions.

(END)

Shovers, Marc

From: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Sent: Friday, December 21, 2012 12:24 PM
To: Shovers, Marc
Subject: RE: Re: College tuition subtraction

Thanks. We'll have cases where a few of these slip past us so I just wanted to make sure that wasn't the case here.

-Brian

From: Shovers, Marc [mailto:Marc.Shovers@legis.wisconsin.gov]
Sent: Friday, December 21, 2012 12:24 PM
To: Quinn, Brian D - DOA
Subject: RE: Re: College tuition subtraction

No, I haven't yet redrafted this one, but I'll get to it soon.

Marc

From: Quinn, Brian D - DOA [mailto:Brian.Quinn@wisconsin.gov]
Sent: Thursday, December 20, 2012 12:10 PM
To: Shovers, Marc
Subject: RE: Re: College tuition subtraction

Marc,

Have you submitted a new draft on this one yet to correct for which provision is being indexed? Sometimes our system gets hung up and nothing comes through.

Thanks!

-Brian

From: Quinn, Brian D - DOA
Sent: Wednesday, December 12, 2012 5:03 PM
To: 'Shovers, Marc - LEGIS'
Subject: Re: College tuition subtraction

Marc,

Just to show you that we do indeed have a complicated tax code, the intent was to modify 71.05(6)(b)28 and to index the income thresholds for the phase-out ranges for inflation.

I should have been clearer which provision I was referring to.

Brian Quinn
Executive Policy and Budget Analyst
Wisconsin Department of Administration
Division of Executive Budget and Finance
(608)-266-1923
Brian.quinn@wisconsin.gov

State of Wisconsin
2013 – 2014 LEGISLATURE

LRB–0502/P1 2
MES:jld

RMR

DOA:......Quinn, BB0219 – Index for inflation the amounts in the tuition tax subtract modification

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

do not gen

AN ACT ...; **relating to:** the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INS ANL

INCOME TAXATION

Under current law, there is a college tuition and expenses program, commonly referred to as "EdVest I," under which a contributor may purchase "tuition units" that can be used to pay qualified educational costs on behalf of a beneficiary. The purchase of the units is limited to parents, grandparents, great–grandparent, aunts, uncles, legal guardians, trusts created on behalf of a beneficiary, or individuals purchasing units for their own use. Contributions made to an account set up under the program, up to a limit of $3,000 each year for each beneficiary, may be deducted from a contributor's income in the calculation of his or her income taxes if the beneficiary of the account is one of the following: the claimant; the claimant's child; the claimant's grandchild; the claimant's great–grandchild; or the claimant's niece or nephew.

Also, under current law, there exists a college savings program, commonly referred to as "EdVest II," under which anyone may open an account for a prospective student, regardless of the contributor's relationship to the beneficiary. Individuals may open accounts for themselves, and a prospective student may be the beneficiary of more than one college savings account. Contributions made to an account set up

~~under this~~ program, up to a limit of $3,000 ~~each year for each beneficiary, may be~~ deducted from a ~~contributor's~~ income in the calculation of his or ~~her~~ income taxes if ~~the beneficiary~~ of the account is ~~one of~~ the following: ~~the~~ claimant; the ~~claimant's~~ child; the claimant's grandchild; the claimant's great–grandchild; or the claimant's ~~niece or nephew.~~

Under this bill, the current law dollar amounts for ~~an EdVest or EdVest account under current law~~ the phase-out range, and the maximum income, are indexed for inflation, beginning with taxable year 2013.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.05 (6) (b) ~~32m~~ 28.i. of the statutes is created to read:

71.05 **(6)** (b) ~~32m~~ 28.i. For taxable years beginning after December 31, 2012, the dollar amounts in subd. ~~32m~~ 28.b., c., d., and g. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the year before the previous year, as determined by the federal department of labor, except that the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year. Each amount that is revised under this subd. ~~32m~~ 28.i. shall be rounded to the nearest multiple of $10 if the revised amount is not a multiple of $10 or, if the revised amount is a multiple of $5, such an amount shall be increased to the next higher multiple of $10. The department of revenue shall annually adjust the changes in dollar amounts required under this subd. ~~32m~~ 28.i. and incorporate the changes into the income tax forms and instructions.

SECTION 2. 71.05 (6) (b) 33. d. of the statutes is created to read:

71.05 **(6)** (b) 33. d. For taxable years beginning after December 31, 2012, the dollar amounts in subd. 33. a. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the year before the previous year, as determined by the federal department of labor, except that the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year. Each amount that is revised under this subd. 33. d. shall be rounded to the nearest multiple of $10 if the revised amount is not a multiple of $10 or, if the revised amount is a multiple of $5, such an amount shall be increased to the next higher multiple of $10. The department of revenue shall annually adjust the changes in dollar amounts required under this subd. 33. d. and incorporate the changes into the income tax forms and instructions.

(END)

2013–2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB–0502/P2ins
MES:jld:jf

INS ANL

Under current law, there is an individual income tax subtraction for amounts paid by a claimant for tuition expenses and mandatory student fees for a student who is the claimant or the claimant's dependent under the Internal Revenue Code, to attend an institution of higher education that is approved by the Educational Approval Board and that is located in Wisconsin, or to attend certain postsecondary schools in Minnesota to which the Minnesota–Wisconsin reciprocity agreement applies. The tuition expenses and fees for which a subtraction may be claimed are calculated based on the amount of tuition charged by the Board of Regents of the University of Wisconsin System at 4–year four institutions. that

UW

Also under current law, the subtraction which that a claimant may claim for such tuition expenses and mandatory student fees is reduced as the claimant's annual federal adjusted gross income (FAGI) increases until, at a certain point, no subtraction may be claimed. Currently, the allowable subtraction phases out, for a single person or a married person filing as a head of household, as the claimant's FAGI increases from $50,000 to $60,000. Once such a claimant's FAGI exceeds $60,000, he or she may not claim the subtraction. For a married person filing a joint return, the phaseout occurs as the married couple's joint FAGI increases from $80,000 to $100,000, and no subtraction is allowed once the married couple's joint FAGI exceeds $100,000. The phaseout for a married person filing a separate return occurs as the claimant's FAGI increased s from $40,000 to $50,000, and no subtraction is allowed once the claimant's FAGI exceeds $50,000.

Shovers, Marc

From: Quinn, Brian D - DOA <Brian.Quinn@wisconsin.gov>
Sent: Monday, January 21, 2013 10:23 AM
To: Shovers, Marc
Subject: College Tuition Subtraction Draft (0502/P2)

Marc,

On this one, DOR has expressed that their preference is that we set up an indexing scheme similar to how the individual income tax brackets are done where there is established a base year from which the CPI calculations are determined and indexing adjustments are calculated off of that base.

So, in this case, I believe that the base year CPI will be August 2011 so that the first year worth of indexing will be the change between August 2012 and August 2011, which will be applied to Tax Year 2013. For Tax Year 2014, the income phase-out ranges will be inflated by the change in August 2013 CPI relative to 2011, and so on down the road in the future.

The reason that DOR does it this way is so that the rounding doesn't get distorted over time. I've put together a little table with a theoretical indexing provision to show why this way and not having the base year move over time. Under the "year-to-year" approach, the indexed value is adjusted relative to the prior year as opposed to the base year. Under the "Relative to 1980" approach, the $50,000 income threshold is adjusted relative to the CPI level in 1980. Each year the new threshold is determined, it is the $50,000 x (CPI in current year/CPI in base year), rounded to the nearest $10.

CPI Adjustment Factor

Year	CPI Level in August	Relative to 1980	Year to Year	Tax Year	Relative to 1980	Adj Year-
1980-08-01	83.200			1981	$ 50,000	$
1981-08-01	92.200	1.1082	1.1082	1982	$ 55,410	$
1982-08-01	97.700	1.1743	1.0597	1983	$ 58,710	$
1983-08-01	100.100	1.2031	1.0246	1984	$ 60,160	$
1984-08-01	104.400	1.2548	1.0430	1985	$ 62,740	$
1985-08-01	107.900	1.2969	1.0335	1986	$ 64,840	$
1986-08-01	109.600	1.3173	1.0158	1987	$ 65,870	$
1987-08-01	114.300	1.3738	1.0429	1988	$ 68,690	$
1988-08-01	119.000	1.4303	1.0411	1989	$ 71,510	$
1989-08-01	124.500	1.4964	1.0462	1990	$ 74,820	$
1990-08-01	131.600	1.5817	1.0570	1991	$ 79,090	$
1991-08-01	136.600	1.6418	1.0380	1992	$ 82,090	$
1992-08-01	140.800	1.6923	1.0307	1993	$ 84,620	$
1993-08-01	144.800	1.7404	1.0284	1994	$ 87,020	$
1994-08-01	149.000	1.7909	1.0290	1995	$ 89,540	$
1995-08-01	152.900	1.8377	1.0262	1996	$ 91,890	$
1996-08-01	157.200	1.8894	1.0281	1997	$ 94,470	$
1997-08-01	160.800	1.9327	1.0229	1998	$ 96,630	$
1998-08-01	163.400	1.9639	1.0162	1999	$ 98,200	$
1999-08-01	167.100	2.0084	1.0226	2000	$100,420	$ 1
2000-08-01	172.700	2.0757	1.0335	2001	$103,790	$ 1
2001-08-01	177.400	2.1322	1.0272	2002	$106,610	$ 1
2002-08-01	180.500	2.1695	1.0175	2003	$108,470	$ 1
2003-08-01	184.500	2.2175	1.0222	2004	$110,880	$ 1
2004-08-01	189.200	2.2740	1.0255	2005	$113,700	$ 1
2005-08-01	196.100	2.3570	1.0365	2006	$117,850	$ 1
2006-08-01	203.800	2.4495	1.0393	2007	$122,480	$ 1
2007-08-01	207.667	2.4960	1.0190	2008	$124,800	$ 1
2008-08-01	218.749	2.6292	1.0534	2009	$131,460	$ 1
2009-08-01	215.479	2.5899	0.9851	2010	$129,490	$ 1
2010-08-01	218.062	2.6209	1.0120	2011	$131,050	$ 1
2011-08-01	226.266	2.7195	1.0376	2012	$135,980	$ 1
2012-08-01	230.102	2.7656	1.0170	2013	$138,280	$ 1

As you can see, the differences in calculation are not incredibly significant, but since the point of indexing is to keep values constant relative to a base year, the most correct way to do it is to reference that base year and mark all changes relative to that base year.

Let me know if this makes or doesn't make sense.

Brian Quinn
Executive Policy and Budget Analyst
Wisconsin Department of Administration
Division of Executive Budget and Finance
(608)-266-1923
Brian.quinn@wisconsin.gov

State of Wisconsin
2013 - 2014 LEGISLATURE

LRB-0502/P2 3
MES:jld:rs
RMR

DOA:......Quinn, BB0219 – Index for inflation the amounts in the tuition tax subtract modification

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

do not gen

AN ACT ...; **relating to:** the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, there is an individual income tax subtraction for amounts paid by a claimant for tuition expenses and mandatory student fees for a student who is the claimant or the claimant's dependent under the Internal Revenue Code, to attend an institution of higher education that is approved by the Educational Approval Board and that is located in Wisconsin, or to attend certain postsecondary schools in Minnesota to which the Minnesota–Wisconsin reciprocity agreement applies. The tuition expenses and fees for which a subtraction may be claimed are calculated based on the amount of tuition charged by the Board of Regents of the UW System at four–year institutions.

Also under current law, the subtraction that a claimant may claim for such tuition expenses and mandatory student fees is reduced as the claimant's annual federal adjusted gross income (FAGI) increases until, at a certain point, no subtraction may be claimed. Currently, the allowable subtraction phases out, for a single person or a married person filing as a head of household, as the claimant's FAGI increases from $50,000 to $60,000. Once such a claimant's FAGI exceeds $60,000, he or she may not claim the subtraction. For a married person filing a joint return, the phaseout occurs as the married couple's joint FAGI increases from $80,000 to $100,000, and no subtraction is allowed once the married couple's joint FAGI exceeds $100,000. The phaseout for a married person filing a separate return occurs as the claimant's FAGI increases from $40,000 to $50,000, and no subtraction is allowed once the claimant's FAGI exceeds $50,000.

Under this bill, the current law dollar amounts for the phase–out range, and the maximum income, are indexed for inflation, beginning with taxable year 2013.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.05 (6) (b) 28. i. of the statutes is created to read:

71.05 **(6)** (b) 28. i. For taxable years beginning after December 31, 2012, the dollar amounts in subd. 28. b., c., d., and g. shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the month of August of ~~of the year before the previous year~~ 2011, as determined by the federal department of labor, except that the adjustment may occur only if the resulting amount is greater than the corresponding amount that was calculated for the previous year. Each amount that is revised under this subd. 28. i. shall be rounded to the nearest multiple of $10 if the revised amount is not a multiple of $10 or, if the revised amount is a multiple of $5, such an amount shall be increased to the next higher multiple of $10. The department of revenue shall annually adjust the changes in dollar amounts required under this subd. 28. i. and incorporate the changes into the income tax forms and instructions.

(END)

State of Wisconsin
2013 – 2014 LEGISLATURE

LRB–0502/P3
MES:jld:rs

DOA:......Quinn, BB0219 – Index for inflation the amounts in the tuition tax subtract modification

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION

AN ACT ...; **relating to:** the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under current law, there is an individual income tax subtraction for amounts paid by a claimant for tuition expenses and mandatory student fees for a student who is the claimant or the claimant's dependent under the Internal Revenue Code, to attend an institution of higher education that is approved by the Educational Approval Board and that is located in Wisconsin, or to attend certain postsecondary schools in Minnesota to which the Minnesota–Wisconsin reciprocity agreement applies. The tuition expenses and fees for which a subtraction may be claimed are calculated based on the amount of tuition charged by the Board of Regents of the UW System at four–year institutions.

Also under current law, the subtraction that a claimant may claim for such tuition expenses and mandatory student fees is reduced as the claimant's annual federal adjusted gross income (FAGI) increases until, at a certain point, no subtraction may be claimed. Currently, the allowable subtraction phases out, for a single person or a married person filing as a head of household, as the claimant's FAGI increases from $50,000 to $60,000. Once such a claimant's FAGI exceeds $60,000, he or she may not claim the subtraction. For a married person filing a joint return, the phaseout occurs as the married couple's joint FAGI increases from $80,000 to $100,000, and no subtraction is allowed once the married couple's joint FAGI exceeds $100,000. The phaseout for a married person filing a separate return occurs as the claimant's FAGI increases from $40,000 to $50,000, and no subtraction is allowed once the claimant's FAGI exceeds $50,000.

Under this bill, the current law dollar amounts for the phase–out range, and the maximum income, are indexed for inflation, beginning with taxable year 2013.

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(END)